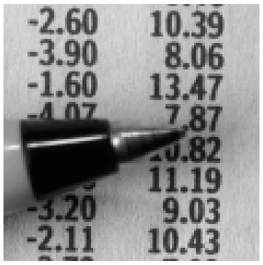


Prosecuting Securities Fraud

In 2005, the New Jersey Attorney General's Office solidified its reputation as a national leader in investigating securities fraud and spurring reform within the investment industry. That reputation for protecting investors was secured under Attorney General Harvey in 2003 and 2004, when the Attorney General's Office, working through its New Jersey Bureau of Securities and Division of Law, reached a record-setting $18 million settlement with Allianz Dresdner Asset Management over market timing allegations, filed eight major securities fraud cases involving more than $160 million in investments, and played a leading role in the landmark 2003 settlement between securities regulators and 10 top Wall Street firms regarding stock analyst practices.

Those achievements caught the attention of the U.S. Senate Committee on Banking, Housing and Urban Affairs, which invited Attorney General Harvey to testify on June 2, 2004 about the vital role of the states in regulating securities and protecting investors.

The Attorney General's Office continued its record of leadership in 2005, when it reached landmark settlements with two major international investment firms concerning corporate practices that hurt ordinary investors:

❖ In March 2005, Attorney General Harvey announced that Merrill Lynch Pierce Fenner & Smith Inc. would pay New Jersey $10 million and implement significant reforms throughout the firm to resolve allegations that it failed to reasonably supervise certain financial advisers in New Jersey who market timed mutual funds on behalf of a hedge fund, Millennium Partners, L.P., in violation of the firm's policies and to the detriment of long-term investors. Merrill Lynch agreed to implement reforms recommended by the AG to enhance supervision of its financial advisers. The following week, the Attorney General's Office filed an administrative complaint against the three financial advisers involved and revoked their registration to trade securities as broker-dealer agents in New Jersey.

❖ In June 2005, Attorney General Harvey reached a $5 million settlement with American Express Financial Advisors (AEFA) over allegations it failed to reasonably supervise its financial advisers. An adviser in the firm's franchise office in Voorhees stole $400,000 from at least 22 clients by forging signatures to obtain commissions and fees. The adviser pleaded guilty to theft charges brought by the Attorney General through the Division of Criminal Justice and was sentenced in September 2005 to three years in state prison. AEFA paid full restitution to victims and agreed to reform how it supervises its financial advisers, many of whom work as independent contractors under franchise agreements.

❖ In October 2005, Attorney General Harvey obtained a court order freezing $1.4 million linked to an Internet securities scam involving a fictitious company, Heritage Financial Inc., through which investors around the world have been defrauded of millions of dollars. A New Jersey Superior Court judge granted the Attorney General's request for an order freezing the funds, which investigators in the Bureau of Securities traced from victims to four Merrill Lynch investment accounts held in the names of various individuals and corporate entities. At the close of 2005, a court hearing was pending on a request by the Attorney General to permanently freeze $70 million in 13 Merrill Lynch accounts held by those same parties. Earlier in 2005, the Attorney General's Office shut down computer accounts and phone lines used by the con artists and seized approximately $620,000 in accounts in Panama and the Cayman Islands.

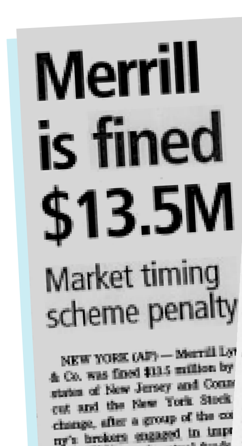
❖ In January 2005, The Attorney General's Office and the Bureau of Securities filed suit against a New York City man, Joseph Greenblatt, several members of his family and 68 corporations that they allegedly created to carry out a massive securities fraud scheme, including Maywood Capital Corp., a New Jersey corporation based in Paramus that was the umbrella company for the investment scheme. The suit alleges that the individual defendants obtained more than $42 million from over 100 investors, diverting millions to their personal use. The complaint alleges that Joseph Greenblatt, his father, Max Greenblatt and two key associates engaged in a pattern of racketeering activities in violation of New Jersey's Racketeer Influenced and Corrupt Organizations (RICO) law.


Franklin L. Widmann, Chief

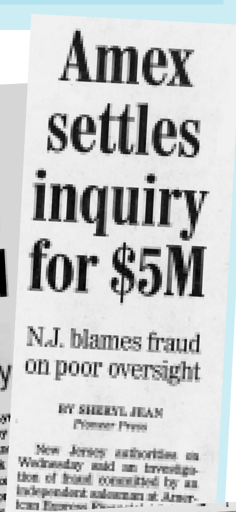
Bureau of Securities

Within the Division of Consumer Affairs, the Bureau of Securities is New Jersey's securities regulatory agency. New Jersey is one of only five states to place such an agency directly under the control of their Attorney General. By Attorney General's directive, the Bureau reports directly to Attorney General Harvey for greater focus upon securities fraud cases. The Bureau is funded through fees paid by the regulated community as well as fines and other sums collected in enforcement actions. The Bureau regulates broker-dealers (brokerage firms), broker-dealer agents (stockbrokers), investment advisers, investment adviser representatives, agents of securities issuers, securities registrations, securities exemptions, mutual funds, and unit investment trusts. The primary mechanisms the Bureau uses for regulation are (1) registration of securities, firms and agents, and (2) enforcement actions against those who fail to comply with registration or engage in fraud. The Bureau maintains a field examination staff, which conducts routine and for-cause examinations of regulated persons and entities, and an investigative staff, which investigates possible violations of the New Jersey Uniform Securities Law.

- *Franklin L. Widmann, Chief*
- *Elizabeth Mackay, First Deputy Chief*
- *Amy Kopleton, Deputy Chief*
- *Richard Barry, Chief Investigator*

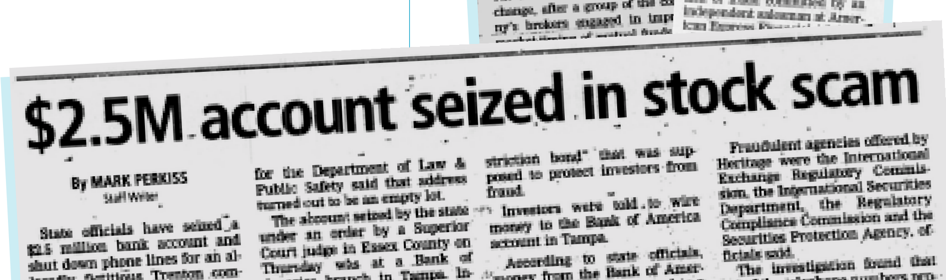

Merrill is fined $13.5M

Market timing scheme penalty


Amex settles inquiry for $5M

N.J. blames fraud on poor oversight

BY SHERYL JEAN


$2.5M account seized in stock scam

By MARK PERKISS
Staff Writer